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Sent By email and First Class Mail

Dozier Internet Law, P.C.
Donald E. Morris, Esq.
Domingo J. Rivera, Esq.
301 Concourse Blvd.
West Shore III, Suite 300
Glen Allen, VA 23059

RE: Mosaic Tile Supplies, LLC and Sunset Mountains, Inc.
David Bousfield and Rebecca Lonergan

Dear Mr. Morris & Mr. Rivera:

This letter is written in response to the letter you sent my clients on June 7, 2007. Although you were willing to discuss this matter by telephone, you requested that there be a response in writing as well.

From my clients' perspective, these new unfounded accusations of proprietary rights violations from Mosaic Tile Supplies is both disturbing and frustrating. As you likely know, the business relationship between our clients is winding down following an exhausting dispute that was believed to be fully resolved in the early part of this year. During that dispute, (which focused on my client's use of certain copyrighted materials), my clients expended an enormous amount of time and money to fully cooperate with demands of your client. And they will cooperate again here -- with those demands that are reasonable under the circumstances.

Business Relationship

Sunset Mountains, Inc., doing business as *Mosaic Tile Market*, has been purchasing tile from Mosaic Tile Supplies for resale for several years. Except for a non-disclosure agreement, there has never been any written agreement defining their wholesaler/reseller relationship. Consequently, the terms of this relationship have been defined by phone conversations and emails between those two companies in the normal course of negotiating the sales and purchases of tile. Mosaic Tile Supplies

has referred to Sunset Mountains as its distributor on the West Coast (and continues to do so), but nowhere is there correspondence or facts to indicate they had any territorial exclusivity. The designation of "West Coast" was more of a convenience, since

the shipping of tile cross country can be quite costly. Although Mosaic Tile Supplies expressed its desire to enter into a written distributorship agreement, my clients have never been presented with any proposed terms for such a relationship, let alone a complete written agreement for their consideration.

Re-branding

Initially, Sunset Mountains as a reseller marketed and sold the Mosaic Tile Supplies tiles as Mosaic Tile Supplies along with its various "brands" (i.e., trademarks). Then several years ago, with their advance knowledge and permission, Sunset Mountains began to incorporate other tiles procured from Mosaic Tile Supplies into a variety of special color collections or designs, referred to as "blends" that were designed and created by Sunset Mountains and generally marketed under their registered trademark, "ModWalls". These are the tiles referred to as being "re-branded" and are included in the ModWalls blends, subway tile, penny round tile, as well as others. Your client's permission to re-brand certain products under its ModWalls brand name was given to Sunset Mountains in both telephone conversations and in email. The re-branding matter was fully discussed and confirmed during the ordering process and before Sunset Mountains placed actual orders for the tile products specifically intended to be re-branded and marketed and sold as such. My clients have always believed that they have had Mosaic Tile Supplies' full permission to re-brand those specified tiles in their proprietary blends and designs, without having to identify any underlying source, since the focus was on the color combinations for the ModWalls blends. In light of this, we disagree that with your statement that my client's were prohibited from re-branding any tiles that had always been specifically purchased for inclusion in the ModWalls brands.

Display of Mosaic Tile Supplies trademarks

Sunset Mountains has been in compliance with the instructions of Mosaic Tile Supplies regarding the wording of its trademarks displayed on the Sunset Mountains website. In our clients' discussions about the trademark display, Sunset Mountains had expressed its concern that by fully spelling out the three word name of the trademark owner of the tiles (viz., Mosaic Tile Supplies), Sunset Mountains website customers would be encouraged to "price-shop". The reasonable concern was that customers could easily search and find the website of Mosaic Tile Supplies, who could sell the tiles at a lower price than Sunset Mountains given its financial advantage of being the "manufacturer" of those tiles. On January, 18, 2007, Haleigh and Randall (Stallworth) sent Sunset Mountains an email (and quoted below), and directed Sunset Mountains to make the following change regarding the display of its trademarks:

"4) On the page where you list your pending trademarks and registered trademarks, (below yours) please include a listing of our marks used on your site and the ownership rights notice to MTS, LLC"

Products in Stock

The website of Sunset Mountains clearly displays the amounts of the Mosaic Tile Supplies inventory remaining "in stock", and as Mosaic Tile Supplies product sells out, Sunset Mountains has been removing that product from its website. Sunset Mountains has no desire or

reason to feature product that they cannot sell to their customers. The website updates its inventory automatically, but the “categories” of tiles, I believe, are updated monthly by a different program. Your letter complains about tile being displayed, but out of stock. Although you did not provide the name, my clients believe you are referring only to “Aura” tiles, which was removed from the category list about a week after the tile inventory was too low to sell. (However in fact, there may still be a small amount of that product in inventory.) As the Mosaic Tile Supplies tile products sell out, Sunset Mountains has removed their colors from being shown in the site’s color blend tool, then removed and consolidated product categories, and finally, those products are completely deleted from the website. As a side note, you might also want to inform your clients that Sunset Mountains has referred customers to the Mosaic Tile Supplies’ website, viz., mosaictilesupplies.com when those customers need to purchase more of a Mosaic Tile Supplies product than Sunset Mountains has in stock.

Please assure your clients that Sunset Mountains continues to make good faith diligent efforts to market and sell the Mosaic Tile Supplies products quickly so that the Mosaic Tile Supplies brands may be removed entirely from its website. We will address all reasonable proposals to allow my clients their right to continue to sell out the remaining inventory in a reasonable business manner.

Yours very truly,

/Mary Lee Crooks/